

### ► Corporate Governance

The Group continues to achieve high standards of corporate governance which it believes is crucial to the development of the Group and to safeguard the interests of the Company's shareholders.

To ensure objectivity and impartiality in the management of the Company, the Board comprised equal number of executive Directors and non-executive Directors. The Board is responsible for the overall management of the Group's business but the day-to-day management is delegated to the four executive Directors. Mr. Seitaro Furukawa as Chairman heads the Board and is responsible for the operations of the Group. Mr. Li Shi Yuen Joseph as Vice-Chairman was responsible for administration of the Group. Mr. Chui Kam Wai as Chief Executive Officer is responsible for the marketing functions of the Group. Mr. Yeoh Teck Hooi as Chief Financial Officer advises on financial matters of the Group. Their roles are clearly segregated. Details of the composition of the Board, relationship among members of the Board, term of appointment of non-executive Director, and biographical information of the Directors are set out in the section "Directors and Service Contracts" in the Report of the Directors above and the Biography of Directors and Senior Management below respectively.

The Board has adopted the terms of the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (the "Model Code") and the Code of Best Practice as set out in Appendix 14 of the Listing Rules (the "Code"). None of the Directors is aware of any information that would reasonably indicate that the Company or any of its Directors is not or was not in compliance with the Code and upon specific enquiry of all Directors, the Directors confirmed that they have complied with the Model Code for any part of the period ended 31 December 2005. The Board held 5 meetings during the year with attendance record as follows:–

<b>Attendance at Board Meeting</b>	<b>Number of Meetings Attended (5 Meetings in total)</b>
<b>Executive Directors:</b>	
Seitaro Furukawa	5
Li Shi Yuen Joseph*	5
Chui Kam Wai	5
Yeoh Teck Hooi	5
<b>Non-executive Directors:</b>	
Koo Ming Kown	4
Tadao Murakami (resigned on 5 July 2005)	2
Wong Toe Yeung (resigned on 30 September 2005)	2
<b>Independent non-executive Directors:</b>	
Cham Yau Nam	4
Leung Wai Hung	4
Cheng Chi Heng	2

\* Subsequent to the year end, Mr. Li Shi Yuen Joseph resigned as an executive Director.

## CORPORATE GOVERNANCE REPORT

The Company has also taken effective measures to ensure that it is in compliance with the code provisions and as far as reasonable practicable the recommended best practices of the Code on Corporate Governance Practices (the "Corporate Governance Code") which came into effect on 1 January 2005. In the opinion of the Board, the Company has also fully complied with the code provisions and a majority of the recommended best practice of the Corporate Governance Code throughout the accounting year ended 31 December 2005.

In compliance with the code provisions of the Corporate Governance Code, the Company has set up an Audit Committee and a Remuneration Committee under the Board. The Board considers the determination of the appointment and removal of Directors to be the Board's collective decision and thus does not intend to adopt the recommended best practice of the Corporate Governance Code to set up a Nomination Committee. Details of nomination of Directors are set out in the section "Nomination of Directors" below.

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group.

### ► Audit Committee

The Audit Committee comprises three independent non-executive Directors, Mr. Cham Yau Nam, Mr. Leung Wai Hung and Mr. Cheng Chi Heng. Mr. Cham Yau Nam is the chairman of the Audit Committee. The Audit Committee has adopted terms of reference which are in line with the Code and the Corporate Governance Code. The Audit Committee met 4 times during the year to review the completeness, accuracy and fairness of the Company's financial statements, the Company's financial reporting system and internal control procedures, the scope and nature of the external audit and matters concerning the engagement of external auditors. The Group's financial statements for the year ended 31 December 2005 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made. The Audit Committee held 4 meetings during the year with attendance record as follows:

<b>Attendance at Audit Committee</b>	<b>Number of Meetings Attended (4 Meetings in total)</b>
Cham Yau Nam	4
Leung Wai Hung	4
Cheng Chi Heng	1

### ► Remuneration Committee

The Remuneration Committee comprises three independent non-executive Directors, Mr. Cham Yau Nam, Mr. Leung Wai Hung and Mr. Cheng Chi Heng. Mr. Cham Yau Nam is the chairman of the Remuneration Committee. The Remuneration Committee has adopted terms of reference which are in line with the Corporate Governance Code. The Remuneration Committee met once at the end of the year to review the remuneration policy and remuneration packages of the executive Directors and members of the senior management. All the committee members, except Mr. Cheng Chi Heng, attended the meeting.

### ► **Nomination of Directors**

The Board will meet to discuss nomination of directors when circumstances required. Upon receipt of a nomination from the members of the Board, a board meeting will then be convened to consider and discuss the nominated candidate(s) for the directorship. Criteria adopted by the Board in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge as well as the requirements under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

During the year, Mr. Yeoh Teck Hool was appointed as an executive Director with effect from 7 February 2005.

### ► **Sarbanes-Oxley Act**

To enhance its corporate governance and as a subsidiary of NTE Inc., a New York Stock Exchange listed company, the Company shall comply with the stringent requirements under the Sarbanes-Oxley Act (the "Act"), certification of which will be completed by the end of 2006. The Act focuses mainly on the effectiveness of internal control and essentially requires the management to annually state its responsibilities in establishing and maintaining an adequate internal control structure and procedure for financial reporting; and to conduct an assessment of the effectiveness of a company's internal controls and procedures for financial reporting, followed by an attestation of management's assertions by its external auditors. To this end, the Company has set up a task force which follows the methodology and time schedule of NTE Inc. to ensure that the internal control requirements under the Act can be fully complied with accordingly. Besides, the Company has engaged its external auditors to review its financial statements on a quarterly basis in year 2005.

The Company believes that upon full implementation of the internal control procedures under the Act, the Company's corporate governance and business practices will be even better enhanced.

### ► **Quarterly Review by Auditors**

The Company engaged external auditors to review its quarterly results in 2005 prior to publication.

### ► **Fees for Audit and Audit related Services, and Non-audit Services**

During the year, the Group engaged Messrs. Deloitte Touche Tohmatsu to perform audit and audit related services, and non-audit services and incurred audit and audit related service fees of approximately HK\$1,000,000 (2004: HK\$758,000) and non-audit service fees of approximately HK\$239,000 (2004: HK\$242,000). The audit and audit related service fees included approximately HK\$770,000 (2004: HK\$673,000) for auditing the Group's 2005 financial statements, approximately HK\$90,000 (2004: HK\$85,000) for reviewing the Group's 2005 interim financial statements, and approximately HK\$140,000 (2004: Nil) for reviewing the Group's first and third quarters' financial results.